

**IN THE CHANCERY COURT FOR LEWIS COUNTY  
AT HOHENWALD, TENNESSEE**

IN RE:

SENTINEL TRUST COMPANY

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NO. 4781

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**SENTINEL TRUST RECEIVER'S MOTION FOR APPROVAL OF PROPOSED  
DISTRIBUTION AND RELATED MATTERS CONCERNING NICEVILLE, FLORIDA  
DEFAULTED BOND ISSUE AND TO CERTIFY ORDER ENTERED IN RELATION TO  
THIS MOTION AS FINAL PURSUANT TO RULE 54.02 TENN.R.CIV.P.**

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**I. INTRODUCTION**

The Sentinel Trust Receiver ("Receiver") moves the Court to approve the proposed final distribution of the funds it has received regarding the defaulted City of Niceville, Florida Industrial Development Refunding Revenue Bonds (Okaloosa Health Care, Ltd. Facility) Series 1992 ("Niceville Bond Issue"), as well as other matters requested herein in conjunction with that proposed distribution. The Receiver also requests that the order entered in relation to this Motion be entered as a final order pursuant to Rule 54.02 Tenn.R.Civ.P.

**II. PROCEDURES TO RESPOND TO INSTANT  
MOTION / HEARING ON ANY RESPONSES IN OPPOSITION**

Pursuant to order entered by the Court on August 8, 2006, responses in opposition to this Motion must be filed with the Lewis County Chancery Court Clerk and Master on or before Tuesday, October 31, 2006. A copy of any response in opposition also must be served, on that date, to undersigned counsel and mailed to Hon. Jerry Scott, c/o Senior Judge Program, 119 North Maple Street, Murfreesboro, TN 37130. If responses in opposition are filed, they will be heard on Thursday, November 9, 2006, at 9:00 a.m. at the Lewis County Courthouse in Hohenwald, Tennessee. If no responses in opposition are filed by Tuesday, October 31, 2006, a

proposed order granting the Motion will be sent to the Court for consideration and, if approved, entry.

### **III. AUTHORITY OF COURT TO HEAR AND DECIDE THIS MOTION**

This Court has the authority to hear and decide this Motion for, at least, three separate reasons. First, in closing down the Niceville Bond Issue default, through the requested distribution, the Receiver is disposing of an asset of over \$500.00 -- i.e., the fees and charges that could be generated by the continued administration of the defaulted Niceville Bond Issue. The Tennessee Court of Appeals has already found that the right to receive fees for the administration of bond issues was an asset of Sentinel Trust Company. In re: Sentinel Trust (Tenn. Ct. App. #M2005-00031-COA-R3-CV) (Dec. 29, 2005) slip op. at p. 28.<sup>1</sup> Thus, under T.C.A. § 45-2-1504(a), disposition of the ability to receive fees on the Niceville Bond Issue requires this Court's approval. Also, presented in this Motion, as part of the final distribution and closing of the Niceville Bond Issue, is a request to approve the Receiver's recommendation that it not pursue any claim against Emerald Pointe Medical, Inc. ("Emerald Pointe"), the former management company which managed the assisted living facility that the Niceville Bond Issue had financed ("Niceville Facility"). As explained in more detail below, not pursuing any claim as against Emerald Pointe would have the effect of compromising arguable claims (in excess of \$500.00) as against Emerald Pointe. Thus, under T.C.A. § 45-2-1504(a), this Motion must be made to this Court, and the Court has the authority to hear and decide the Motion.

Second, the effect of a final distribution on the Niceville Bond Issue is the termination of a fiduciary position (i.e., indenture trustee) held by Sentinel Trust/Sentinel Trust Receivership

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<sup>1</sup> The Tennessee Supreme Court, on July 3, 2006, issued a Per Curiam Order which denied Danny N. Bates' application for permission to appeal the Court of Appeals' decision. On or about September 29, 2006, Mr. Bates filed a Petition for Writ of Certiorari to the United States Supreme Court.

vis-à-vis the Niceville Bond Issue. Under T.C.A. § 45-2-1504(c), the Commissioner, and, thus, his appointed Receiver, are to take the steps deemed necessary to effect termination of fiduciary positions held by Sentinel Trust. Throughout this Receivership, the Commissioner and Receiver have thought it prudent, and have deemed it necessary, to seek approval of the Court (through motion with notice to all affected parties) when proposing a final distribution for a defaulted bond issue to which Sentinel Trust was an indenture trustee. The Receiver asserts that petitioning the Court in this matter is consistent with taking the steps it deems necessary to terminate a fiduciary position held by Sentinel Trust, and, thus, under T.C.A. § 45-2-1504(c), the Court can properly hear and decide the instant Motion.

Third, and at a more basic level, pursuant to T.C.A. § 45-2-1502(b)(1), this Receivership action was instituted in this Court. The Court has the inherent power to address matters raised in cases pending before it and , therefore, to hear and decide the instant Motion.

#### **IV. FACTUAL BACKGROUND**

The Niceville Bond Issue was issued in 1992 in relation to an assisted living facility in Niceville, Florida (i.e., the Niceville Facility). Through a series of mergers and assignments, Sentinel Trust Company became the indenture trustee to the Niceville Bond Issue in or around January 2004. At the time of the institution of the Sentinel Trust Receivership (i.e., May 18, 2004), the Niceville Bond Issue was not in default. However, by the October-November 2004 timeframe, receipt of revenues from the Niceville Facility had ceased, and the Niceville Bond Issue fell into default.

Upon the Niceville Bond Issue falling into default, the Receiver took actions to secure and protect the Niceville Facility as collateral for the bondholders' interests. From the late 2004 timeframe until the sale of the Niceville Facility in May 2006, the Receiver paid tens of

thousands of dollars relating to the security, upkeep and maintenance of the Niceville Facility. Protective services, insurance, taxes, utilities, mold prevention measures, roof repair and hurricane damage repair (which fell below the insurance deductible) all were significant expense items incurred by the Receiver.

Throughout the entire time since the Niceville Bond Issue default, the Receiver has incurred consultant and attorney fees and expenses. These consultant and attorney services included significant efforts regarding 1) the initial securing of the Niceville Facility and continued maintaining of same, 2) the marketing of the property, 3) contact with local governmental and taxing officials, 4) contact with Florida state officials regarding licensing and certificate of need issues, 5) document review and coordination on issues relating to the indenture trust agreement and Sentinel Trust's position as indenture trustee, 6) the filing and pursuit of an action in Florida state court to foreclose on the property, 7) moving this Court for approval to sell the property, 8) the sale and closing of the sale of the property, 9) investigating circumstances surrounding the default and determining whether other actions should be pursued relating to the default and 10) numerous other matters. The bulk of those fees and expenses have already been approved as reasonable and necessary by the Court.<sup>2</sup>

The Receiver has also incurred and charged administration, termination, default, and fiduciary fees, as well as interest charges, as set forth and allowed in the Sentinel Trust Company fee schedules used in relation to defaulted bond issues. See Exhibit 1 for Sentinel Trust Company fee schedules.

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<sup>2</sup> In the pending Motions for Approval of Fees (which were argued before the Court on August 8, 2006 and/or which were filed on September 15, 2006), the fees and expenses not yet approved regarding the Niceville Bond Issue are set forth.

The Niceville Facility sold for \$2.0 million. That sale occurred on May 17, 2006 after the Court had entered an order on April 12, 2006 approving such sale. See copy of Order attached as **Exhibit 2**. Through the assistance of Emerald Pointe and Okaloosa Health Care, Ltd. (the borrower under the Niceville Bond Issue), the Receiver has obtained for distribution an additional \$66,877.82 from a Vanguard Bank account in the name of Okaloosa Health Care, Ltd., but to which officers of Emerald Pointe were the sole signatories. Further assets for distribution will be obtained in the future from a pro rata distribution of funds in the Sentinel Trust SunTrust Pooled Fiduciary Account (“Pooled Fiduciary Account”) (as allowed by further order of the Court) due to the fact that there was supposed to be \$68,625.35 on deposit in that account for the Niceville Bond Issue bondholders as of the time that this Receivership was initiated.<sup>3</sup> Finally, there may also be funds received in the future that would be available for distribution based upon the Receiver having filed a claim in a class action settlement proceeding relating to amounts to be paid from a settlement fund established in a class action case involving a medical bed and medical supply vendor (i.e., the “Spartanburg class action settlement”).<sup>4</sup>

## **V. AMOUNTS AVAILABLE TO DISTRIBUTE**

Attached as **Exhibit 3** is an Account Summary of the amounts received and the amounts incurred and expended on the Niceville Bond Issue default. That exhibit shows that the amounts received and available for distribution are 1) the net amount received from the sale of the Niceville Facility (i.e., \$2.0 million, minus closing costs and related fees and plus refunds of Phase One environmental audit and appraisal costs), 2) the \$66,877.82 amount received from the

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<sup>3</sup> See Exhibit E to January 31, 2006 Notice of Filing of Commissioner-in-Possession’s and Receiver’s Schedule of Claim Determinations and Motion Seeking Approval of the Schedule of Claim Determinations.

<sup>4</sup> The claim filed by the Receiver in the Hil-Rom Spartanburg Antitrust Class Action Litigation was for \$46,261.00. Payment amount on that claim and timing of payment is not known at this time, but it is not expected that payment to the Receiver on this claim will materially increase the distribution to the Niceville Bond Issue bondholders.

Vanguard Bank account and 3) interest earned since the net proceeds from the sale of the Niceville Facility have been in the possession of the Receiver.<sup>5</sup>

**Exhibit 3** does not include amounts anticipated to be received in the future from the Receivership regarding the amount that was supposed to be on deposit in the Pooled Fiduciary Account for the Niceville Bond Issue. As set forth in the Commissioner's and Receiver's January 31, 2006 Notice of Filing of Schedule of Claim Determinations and Motion Seeking Approval of the Schedule of Claim Determinations ("Motion Seeking Approval of the Schedule of Claim Determinations"), \$68,625.35 was supposed to be on deposit, as of May 18, 2004, in the Pooled Fiduciary Account for the Niceville Bond Issue. Because the default fees and expenses incurred by the Receiver relating to the Niceville Bond Issue default have exceeded this \$68,625.35 amount, the claims submitted in the Sentinel Trust Receivership Proof of Claim process concerning the Niceville Bond Issue were denied because any pro rata distribution from the Receivership would be paid toward those incurred expense items first, leaving no funds to address Niceville Bond Issue related claims in the Receivership proof of claim process.

Because the Motion Seeking Approval of the Schedule of Claim Determinations is still pending, the Commissioner and Receiver have not moved for permission to make a distribution to the Receivership proof of claim claimants, and, thus, none of the default fees and expenses incurred on the Niceville Bond Issue have been paid, as was otherwise envisioned in the January 31, 2006 Motion Seeking Approval of the Claims Determinations. This Motion seeks, as part of the Niceville Bond Issue distribution, payment of the fees and expenses incurred by the Receiver in relation to the Niceville Bond Issue. If reimbursement of the fees and expenses

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<sup>5</sup> The interest amounts set forth in **Exhibit 3** include an estimated amount of \$14,465.97 to be earned through November 30, 2006. This amount is set forth because it is assumed that the net proceeds from the sale of the Niceville Facility will not be distributed until approximately the end of November 2006.

incurred by the Receiver is allowed, as requested in this Motion, from amounts held by the Receiver on the Niceville Bond Issue, then the amounts received in the future relating to a pro rata distribution of the \$68,625.35, that was supposed to be held in the Pooled Fiduciary Account for the Niceville Bond Issue, should be distributed to the Niceville Bond Issue bondholders.

Because the amounts that will ultimately be available for pro rata payment of this \$68,625.35 amount are not known<sup>6</sup> and are not otherwise available for distribution, **Exhibit 3** does not include that amount in the amounts that are set forth as presently available for distribution. The same is true concerning the pending claim the Receiver has made in the Spartanburg class action settlement. Through this Motion, however, the Receiver requests permission to distribute the amounts received in the future, in relation to the \$68,625.35 amount and the Spartanburg class action settlement claim, pro rata to the Niceville Bond Issue bondholders, without further need of Court order.

**VI. DISTRIBUTION DOES NOT INCLUDE PAYMENT OF ANY  
AMOUNT TO SENTINEL TRUST SUNTRUST POOLED FIDUCIARY ACCOUNT**

Through previous orders relating to distribution of proceeds from defaulted bond issue collateral, amounts have been distributed to the Pooled Fiduciary Account. Payment of funds back to the Pooled Fiduciary Account was warranted in those instances because funds had been taken by previous Sentinel Trust management from the Pooled Fiduciary Account and expended on matters relating to those particular defaulted bond issues.

Such is not the case regarding the Niceville Bond Issue default. The Niceville Bond Issue fell into default after the May 18, 2004 institution of this Receivership. No funds were taken from the Pooled Fiduciary Account in relation to the Niceville Bond Issue default, and,

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<sup>6</sup> As set forth in the Commissioner's and Receiver's January 31, 2006 Motion Seeking Approval of Schedule of Claim Determinations, an interim distribution of approximately 40% could be made regarding this \$68,625.35 amount, if the Schedule of Claim Determinations and the proposed methodology for calculating payments are approved. Amounts of subsequent and/or final distributions on this \$68,625.35 amount are not presently known.

thus, no funds subject to the distribution requested herein should be paid back to the Pooled Fiduciary Account. Rather, as set forth below, the funds available for distribution should be distributed first to address fees and expenses incurred by the Receiver with the remainder distributed, pro rata, to the Niceville Bond Issue bondholders.

**VII. DEDUCTION OF FEES AND EXPENSES  
INCURRED AND CHARGED BY THE RECEIVER**

**Exhibit 3** sets forth the fees and expenses incurred by the Receiver regarding the Niceville Bond Issue default. The total amount of these fees and expenses -- \$330,808.35 -- appears large, but is justifiable. As detailed on the second page of **Exhibit 3**, \$153,997.78 of the fees and expenses are direct costs incurred by the Receiver relating to the protection and maintenance of the Niceville Facility. A significant portion of the total fees and expenses (i.e., \$99,926.50) is for attorneys (Wyatt, Tarrant & Combs, LLP and Chesser & Barr) and consultants (Cumberland & Ohio/Buddy Skinner and Paul Williams). The bulk of those attorney and consultant fees and expenses (except for those presented in the pending motions for approval of fees) have already been approved through previous orders of Court and have been paid by the Receiver. The fiduciary fees, default and default administration fees, termination fees and interest charges shown on **Exhibit 3** have all been charged pursuant to the fee schedules published by Sentinel Trust Company relating to defaulted bond issues. See Exhibit 1. These fees and charges would have been charged by previous Sentinel Trust management upon the Niceville Bond Issue default. These post- May 18, 2004 fees and charges have been assessed by the Receiver on other defaulted bond issues it has dealt with in this Receivership, and those fees and charges have been approved by the Court in granting the previous motions to approve final distributions on those other defaulted bond issues. See e.g., Ft. Pierce, Florida Order (E.O.D.



5/23/05); Hernando County, Florida Order (E.O.D. 5/23/05 and Tarrant County, Texas Order (E.O.D. 5/23/05).<sup>7</sup>

Finally, expenses are expected to be incurred in the near future regarding matters such as attorney billings not yet received and costs attendant to distributing the available funds as ordered by the Court. To address these future expenses, the Receiver proposes that the amount of \$4,754.52 be held in reserve from the distribution to the Niceville Bond Issue bondholders. A small additional amount of \$423.75 (which is a final refund on insurance coverage relating to the Niceville Facility) is expected to be received over the next month and is shown as added to this residual amount for a total residual balance of \$5,178.27 on **Exhibit 3**.<sup>8</sup>

#### **VIII. DISTRIBUTION TO BONDHOLDERS**

As shown in **Exhibit 3**, after payment of the fees and expenses and charges that have been incurred by the Receiver and after setting aside the small \$5,178.27 reserve for future expenses, an amount remains that would yield a distribution to the Niceville Bond Issue bondholders of approximately 64.8¢/\$1.00.<sup>9</sup>

#### **IX. ARGUMENT IN FAVOR OF DISTRIBUTION TO BONDHOLDERS AND PAYMENT OF FEES AND EXPENSES AS SET FORTH HEREIN**

The Six Hundred Forty-Eight Dollar (\$648.00) per One Thousand Dollar (\$1,000.00) payoff, while not a full payoff, is an amount that, to the Receiver's knowledge and experience,

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<sup>7</sup> As has been the consistent position of the Commissioner and Receiver, to the extent that payment to the Receiver of post- May 18, 2004 fiduciary fees, default and default administration fees, termination fees and interest expense charges (which, along with funds from other sources, are used to fund the operations of the Receivership) results in an excess of funds at the closing of the Receivership, those funds (upon further motion to and order of Court) would be used to make further pro rata payments to the claimants and creditors of the Receivership estate.

<sup>8</sup> This "reserve amount" would need to be modified (and thus the ultimate pay-out to bondholders would need to be modified) if an order of Court relating to this Motion was appealed.

<sup>9</sup> This approximate 64.8¢/\$1.00 does not include the distribution to the Niceville Bond Issue bondholders that would result when a pro rata distribution from the Receivership is made on the approximately \$68,600.00 amount with regard to the Pooled Fiduciary Account/proof of claim process referenced and discussed earlier in this Motion. While it is proposed that this future proof of claim distribution be made to bondholders, it is not expected to result in a material increase in the total payout to bondholders being at the approximate 64.8¢/\$1.00 level. The same is true regarding the claim the Receiver has made in the Spartanburg class action settlement.

surpasses many payoffs in bankruptcy/liquidation/default contexts. The approximately \$331,000.00 total in fees and expenses incurred by the Receiver in the Niceville Bond Issue default were for post-receivership fees and expenses, most of which were for direct expenses incurred relating to the security and maintenance of the Niceville Facility and/or for attorney and consultant fees. The post- May 18, 2004 fiduciary fees, default and default administration fees, termination fees and other attendant charges are based upon the fees and expenses allowed by the bond issue documents and published fee/charge schedules of Sentinel Trust and are the same fees assessed post- May 18, 2004 on other defaulted bond issues, all of which have been approved by previous orders of this Court. As mentioned earlier, these fees and expenses (along with funds from other sources) are funding the operations of the Receivership, including efforts to further recover funds to grow the assets of the Receivership estate. Any excess monies at the end of the Receivership will, upon further order of Court, be distributed, pro rata, to the then remaining creditors and claimants. Accordingly, the Receiver moves the Court to approve the distribution in relation to the Niceville Bond Issue as set forth in **Exhibit 3** hereto. The Receiver also moves the Court to approve the future pro rata distribution to the Niceville Bond Issue bondholders of the amounts received in recognition of the \$68,625.35 amount that should have been on deposit in the Pooled Fiduciary Account for the Niceville Bond Issue at the time of the institution of the Receivership and any amounts received from the pending claim in the Spartanburg class action settlement proceedings.

**X. REQUEST TO APPROVE RECEIVER'S RECOMMENDATION NOT TO PURSUE CLAIM AGAINST EMERALD POINTE MEDICAL, INC.**

As has been referenced previously in this filing, \$66,877.82 of the total amount of assets available for distribution are funds received from a Vanguard Bank account in the name of Okaloosa Health Care, Ltd., but to which officers of Emerald Pointe are the sole signatories.

Emerald Pointe was the management company which exited the Niceville Facility just prior to the Niceville Bond Issue going into default.

The Receiver has investigated whether a potential claim as against Emerald Pointe exists. Candidly, claims may exist in relation to the manner in which Emerald Pointe exited the Niceville Facility and the consequences that action had relating to the loss of the Niceville Facility's license/certificate of need to operate as an assisted living facility. The Receiver further recognizes, however, that Emerald Pointe disputes any liability or wrongdoing and has cogent defenses to any such potential claim against it, including the position that any damage to the Receiver/Niceville Bond Issue bondholders was caused by other individuals or entities that the Receiver had earlier determined in this matter to be judgment proof/not economically worth pursuing. Therefore, a suit against Emerald Pointe, if such were pursued, would, in the opinion of the Receiver, quickly become a complex, multi-party endeavor and a significant financial drain on amounts that could otherwise be distributed to Niceville Bond Issue bondholders. Moreover, any judgment against Emerald Pointe would likely not be collectible against that entity because investigation has revealed it to be an inactive shell company, and imposition of any liability and judgment as to Emerald Pointe's parent company would be an expensive and legally challenging endeavor.

These matters considered, the Receiver requests that the Court approve its recommendation not to pursue any claim as against Emerald Pointe. The Receiver has discussed this issue with the Acting Commissioner-in-Possession, and he concurs with this request.

#### **XI. NOTICE TO BONDHOLDERS**

Because of the relief sought in this Motion, including the approval of the recommendation not to pursue any claim against Emerald Pointe, notice of this Motion will be

provided to all current Niceville Bond Issue bondholders. That Notice, a copy of which is attached as **Exhibit 4**, will be mailed and/or sent via facsimile transmission today, October 19, 2006, to each current bondholder at his/her/its address as reflected in the Sentinel Trust records. That Notice informs the bondholders of much of the contents of this Motion, informs them of the deadline by which responses in opposition must be filed, informs them of what would happen if no responses in opposition to this Motion are filed, directs them to the Department of Financial Institutions website to review the full text of this Motion (including exhibits) and provides them with telephone numbers to call with questions.

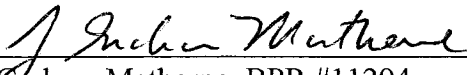
**XII. REQUEST TO CERTIFY ORDER**  
**AS FINAL PURSUANT TO RULE 54.02 TENN.R.CIV.P.**

The Receiver further moves that, if the Court approves the matters requested herein and has an order entered to that effect, then that order should be certified as a final order pursuant to Rule 54.02 Tenn.R.Civ.P. There is no just reason for delaying the finality of an order approving distribution of funds being held in relation to the Niceville Bond Issue default. The certainty of payments sent to bondholders is enhanced through the entry of any order as a final order. Moreover, the Court has certified as final (and expressly directed the Clerk & Master to enter as final) orders addressing final distribution of funds on other defaulted bonds (see e.g., Ft. Pierce, Florida Order (E.O.D. 5/23/05); Hernando County, Florida Order (E.O.D. 5/23/05) and Tarrant County, Texas Order (E.O.D. 5/23/05)).

**XIII. CONCLUSION**

For the stated reasons, the Receiver requests that an Order of Court issue allowing the relief requested herein and that the Order be entered as final as to all matters addressed, pursuant to Rule 54.02 Tenn.R.Civ.P.

Respectfully submitted,

  
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J. Graham Matherne, BPR #11294  
Wyatt, Tarrant & Combs, LLP  
2525 West End Avenue, Suite 1500  
Nashville, TN 37203-1423  
(615) 244-0020

*Counsel for Receivership Management, Inc.,  
Receiver of Sentinel Trust Company*

### CERTIFICATE OF SERVICE

This is to certify that on October 19, 2006 a copy of the foregoing Motion has been sent by First Class U.S. Mail, postage paid, and via Federal Express as noted, to:

Janet M. Kleinfelter  
Office of the Attorney General  
Financial Division  
425 5<sup>th</sup> Avenue North  
P.O. Box 20207  
Nashville, TN 37243

Donald Schwendimann  
12 East Fourth Avenue  
P.O. Box 366  
Hohenwald, TN 38462  
(via Federal Express)

Carrol D. Kilgore  
Attorney at Law  
95 White Bridge Road  
Suite 509, Cavalier Building  
Nashville, TN 37205-1427

Larry Stewart  
Adams and Reese/Stokes Bartholomew  
424 Church Street, Suite 2800  
Nashville, TN 37219

David D. Peluso  
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Hohenwald, TN 38462-0250

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1375 East Ninth Street  
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Chesser & Barr, P.A.  
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James R. Fulmer  
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2160 Park Avenue North  
Winter Park, FL 32789

Joel S. Hollingsworth, Esq.  
General Counsel  
Care Centers Management Group, Inc.  
2020 Northpark, Suite 2F  
Johnson City, TN 37604

This is also to certify that, on October 19, 2006, a copy of the Notice of Filing of Motion, a copy of which is attached to this Motion as **Exhibit 4**, has been sent to all current Niceville Bond Issue bondholders, according to the books and records of Sentinel Trust Company, either via facsimile transmission or via First Class Mail, postage prepaid.

  
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J. Graham Matherne

Sentinel Trust Company  
Fee Schedule #40-02  
Trustee Under Indenture  
Effective March 1, 2002

Acceptance Fee

Sentinel Trust Company will impose a one-time acceptance fee, payable at closing, calculated at a rate of 0.125% (\$1.25 per \$1,000) on the aggregate principal amount of bonds issued at closing, subject to a minimum charge of \$3,000.00, plus out-of-pocket expenses incurred in connection with the closing. Expenses normally include, but are not limited to, such items as travel, overnight courier, postage, long distance telephone, counsel charges, etc. and will be billed at the actual cost.

Sentinel's acceptance fee includes review of the governing documents, execution of the indenture and related documents, attendance at closing and authentication and delivery of the bonds.

The initial acceptance fee is subject to review of the indenture and related financing documents such as the loan agreement. Any provisions contained in the governing documents that, in the judgment of Sentinel or its counsel, place undue responsibilities on the trustee could cause an adjustment in the acceptance fee.

Trustee Counsel

Sentinel Trust Company will employ outside counsel to participate in the review of governing documents. Fees and expenses of counsel will be billed at the actual cost incurred by Sentinel. Any opinions that counsel may be required to deliver at closing will be priced separately and based on the complexity of the opinion.

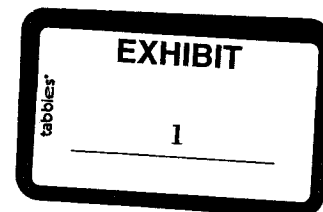
Administrative Fee

The corporate trust administrative fee, payable semi-annually in arrears, is based on the original principal amount of bonds issued at closing and calculated as follows:

<u>Annual Rate</u>	<u>Per Million</u>	<u>Principal Amount</u>
0.2500%	\$2,500.00	First \$10 million
0.1250%	1,250.00	Next \$40 million
0.0625%	625.00	Over \$50 million

The administrative fee includes related services and expenses such as investments, bond registrar and paying agent services.

EXHIBIT  
B



Sentinel Trust Company  
Fee Schedule #40-02  
Trustee Under Indenture  
Effective March 1, 2002

Extraordinary Fees and Expenses

Fees and expenses for extraordinary duties and responsibilities that may be outside the normal scope of the indenture will be based on an evaluation and appraisal of the amount of work involved, resources required and potential risk and liability to Sentinel.

Out-of-Pocket Expenses

Out-of-pocket expenses, included expenses of third party professionals, incurred in the administration of the account will be billed at the actual cost. These expenses may include, but are not limited to, postage, long distance telephone, overnight courier, faxes, travel, wire transfers, counsel charges, check forms, publication expenses, tax forms, supplies, etc.

Default

Upon notice of the occurrence of an event of default, litigation or early termination of the account, additional fees and charges will be applied. These additional fees and charges are set forth in Sentinel's Fee Schedule #99-02, Miscellaneous Charges.

Miscellaneous

Account balances remaining unpaid thirty (30) days after the due date will be subject to an additional charge of 1.5% per month on the unpaid balance.

Sentinel's fee quotations are not a commitment to perform services at these rates for the life of the bond issue. We reserve the right to adjust our rates of compensation from time to time, without notice.



Sentinel Trust Company  
Fee Schedule #99-02  
Miscellaneous Charges  
Effective January 1, 2002

Hourly Rate Charge

A charge of \$375.00 per hour, per person will be applied for activities relating to non-performing accounts, defaults, events of default, workouts, foreclosures and for providing extraordinary services not covered under Sentinel's standard fee schedule. Hourly rate charges may be billed on a monthly basis, quarterly or semi-annually, at the discretion of Sentinel Trust Company.

Default Charges

A default charge of \$25,000.00, payable immediately, will be assessed if one or more defaults or events of default remain uncured after thirty days from the date of notice thereof. In addition to the one-time charge of \$25,000.00, a fee of \$2.50 per \$1,000.00 principal amount of bonds outstanding will be imposed on each account beginning thirty (30) days after notice of any default or event of default. These charges are in addition to Sentinel's administrative base fee, hourly rate charges and fees and expenses of attorneys and other third party professionals engaged to represent Sentinel in the work out of defaults, events of default and non-performing accounts.

Out-of-Pocket Expenses

Out-of-pocket expenses including, but not limited to, postage, long distance telephone, overnight courier, travel, supplies, check forms, legal counsel, accountants, consultants, agents, publication expenses, printing, other third party professionals, etc. will be billed at the incurred cost. Expenses may be billed on any frequency selected by Sentinel Trust Company.

Notices to Bondholders or Other Parties

The mailing of notices or other information to bondholders or other parties will be billed at a rate of \$20.00 per envelope with no more than two separate items per envelope. A minimum charge of \$500.00 will be applied for each mailing. Supplies, postage, outside printing expense and envelopes will be billed at the incurred cost. Copies will be billed at \$.25 per copy. Mailings containing in excess of two items per envelope will incur an additional charge of \$10.00 per additional item, per envelope.

Facsimile, E-Mail and other Data Communication

E-mail and other data communications will be billed at the estimated cost. The delivery and receipt of documents by fax will be billed at a rate of \$1.50 per page.

Sentinel Trust Company  
Fee Schedule #99-02  
Miscellaneous Charges  
Effective January 1, 2002

Early Termination of Account

An account termination fee of 0.25% of the original principal amount issued will be applied to account terminations arising from factors other than optional refunding or redemption. Expenses incurred by Sentinel in the termination and delivery of documents and records will be billed at the actual cost. Prior to the delivery of documents and bondholder records to a successor trustee, Sentinel must receive payment in full of all outstanding fees and expenses, including any termination charges.

Wire Charges, Stop Payments, Returned Items, etc.

Wire charges for the transfer of funds and certain bank related charges will be billed on a transaction basis and are subject to change from time to time. Current charges are as follows:

- Wire transfers	\$15.00 per wire
- Stop payments	\$35.00 each stop payment
- Returned items	Actual bank charge plus 1.5% of the dollar amount of the item

Individual Bondholder Services

Fees and expenses incurred in the ordinary course of business are in most cases borne by the issuer of securities. There may be instances, however, when the actions of one bondholder may increase the costs and expenses of account administration. Sentinel's policy is that all bondholders shall be treated equitably and that the majority of bondholders shall not be required to bear the expense occasioned by one bondholder or a few. Any increase in costs or expenses, which are attributable to or occasioned by unauthorized or unilateral action by a bondholder, shall be deducted from distributions from which that bondholder is entitled to receive.

Advances and Overdrafts

Fees and expenses remaining unpaid thirty (30) days after the billing date will incur an additional charge of 1.5% per month of the amount billed. Account advances and overdrafts are charged at the monthly rate of 1.5% of the amount of the advance or overdraft.

Sentinel's fee quotations are not a commitment to provide services at these rates for the life of the bond issue. We reserve the right to adjust our rates of compensation from time to time, without notice.

IN THE CHANCERY COURT OF LEWIS COUNTY  
AT HOHENWALD, TENNESSEE

IN RE: SENTINEL TRUST COMPANY )  
)  
)

Case No. 4781

ORDER APPROVING SALE OF SENTINEL TRUST NICEVILLE,  
FLORIDA FACILITY AND CERTIFYING ORDER AS FINAL UNDER  
RULE 54.02 TENN.R.CIV.P.

On March 27, 2006, the Sentinel Trust Receiver ("Receiver") filed with the Court a Motion for Approval of Sale of Niceville, Florida Facility and to Certify Order Approving Sale as Final Pursuant to Rule 54.02 Tenn.R.Civ.P. ("Motion for Approval of Niceville Sale"). This Motion for Approval of Niceville Sale came for hearing before the Court on April 12, 2006.

For the reasons set forth in the Receiver's Motion, and in light of the record and argument of counsel on April 12, 2006, the Court grants the pending Motion and approves the sale of the Niceville, Florida facility upon the terms set forth in the Real Estate Purchase Agreement attached as **Exhibit A** to the Motion for Approval of Niceville Sale.

Additionally, the Court has considered the argument of the Receiver's counsel for certifying this Order as final pursuant to Rule 54.02 Tenn.R.Civ.P. Specifically, the Court has considered that, without this Court's order becoming final and then in thirty (30) days non-appealable, a title insurance policy would not likely issue and, thus, the sale of the Niceville, Florida facility would not be able to close. This factor dispositively weighs in favor of certifying this Order as final under Rule 54.02 Tenn.R.Civ.P. Accordingly, there appearing reason for such certification and there appearing no reason or just cause for delay, the Court finds that this Order

FILED April 12 2006  
at 1:10 o'clock p. M.  
JANET WILLIAMS, Clerk & Master  
BY Jan Williams

EXHIBIT

tabbies  
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shall constitute a final, appealable order on the matters addressed herein and shall be considered  
as such upon entry on the docket. Rule 54.02 Tenn.R.Civ.P.

It is so ORDERED, this the 12<sup>th</sup> day of April, 2006.

Hon. J. Steven Stafford, Chancellor  
Sitting by Appointment

Submitted for Approval

J. Graham Matherne  
J. Graham Matherne, #11294  
WYATT, TARRANT & COMBS, LLP  
2525 West End Avenue, Suite 1500  
Nashville, Tennessee 37203-1423  
(615) 244-0020

*Counsel for Receivership Management, Inc.  
Receiver of Sentinel Trust Company*

### CERTIFICATE OF SERVICE

This is to certify that on April 12<sup>th</sup>, 2006 a copy of the foregoing Order has been sent by First Class U.S. Mail, postage paid, and also by facsimile as noted, to:

Janet M. Kleinfelter  
Attorney General's Office  
425 5<sup>th</sup> Avenue North  
P.O. Box 20207  
Nashville, TN 37243

Carrol D. Kilgore  
Attorney at Law  
95 White Bridge Road  
Suite 509, Cavalier Building  
Nashville, TN 37205-1427  
also via fax (615-356-8138)

Donald Schwendimann  
12 East Fourth Avenue  
P.O. Box 366  
Hohenwald, TN 38462  
also via fax (931-796-5692)

Larry Stewart  
Stokes, Bartholomew, Evans & Petree  
424 Church Street, Suite 2800  
Nashville, TN 37219

David D. Peluso  
P.O. Box 250  
Hohenwald, TN 38462-0250

James S. Hereford, Jr.  
310 W. College Street  
P.O. Box 802  
Fayetteville, TN 37334-0802

James S. Chase  
John A. Decker  
Hunton & Williams LLP  
900 South Gay Street, Suite 2000  
P.O. Box 951  
Knoxville, TN 37901

Diana M. Thimmig  
Roetzel & Andress  
1375 East Ninth Street  
One Cleveland Center, Ninth Floor  
Cleveland, OH 44114

Lance Clouse  
Chesser & Barr, P.A.  
1201 Eglin Parkway (Shalimar)  
Fort Walton Beach, FL 32579

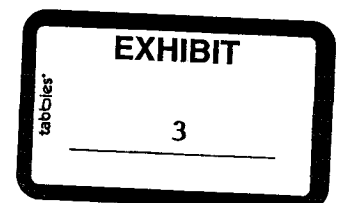
James R. Fulmer  
Fairview at Redstone Village  
12000 Turnmeyer Drive  
Huntsville, AL 35803

Darren K. McDorman  
c/o McDorman Holding LLC  
4566 Highway 20 East, #204  
Niceville, FL 32578

  
\_\_\_\_\_  
J. Graham Matherne

Sentinel Trust Company  
City of Niceville, Florida  
Nursing Home Revenue Bonds  
(Okaloosa Health Care, Ltd. Default Issue)

	A	B	C
1	SERIES 1992 8.75% DUE 12/01/2015	\$1,715,000	
2	SERIES 1992 12.00% DUE 12/01/2006	\$300,000	
3	SERIES 1992 12.50% DUE 12/01/2011	\$710,000	
4			
5	<b>Account Summary for City of Niceville, Florida</b>		
6			
7	Total Money Received Post May 18, 2004 - Sale of Building		\$ 2,000,000.00
8	Providence Valuation Group (Appraisal)		(5,000.00)
9	Environmental Services INC (Phase One audit)		(2,300.00)
10	Closing Costs - Sale of Building: County Taxes		(9,009.37)
11	Closing Costs - Sale of Building: State Tax/Stamp and other recording fees		(5,242.50)
12	Post 5-18-04 Expenses Recovered at sale of Building Closing:		
13	Buyers refund on Phase One audit expense	\$ 2,300.00	
14	Buyers partial refund of appraisal expense	4,000.00	6,300.00
15	Money Received Post May 18, 2004 - Vanguard Bank Account		66,877.82
16	Sweep interest earned thru 10-06-06 on funds received from sale of building		34,725.95
17	Estimated sweep interest earned 10-07-06 / 11-30-06		14,465.97
18	Total Post May 18, 2004 Expenses Due (See below)		(330,808.35)
19	<b>Net Total Available to Bondholders</b>		<b>1,770,009.52</b>
20			
21	<b>Total Amount Payable to Bondholders</b>		<b>(1,765,255.00)</b>
22	Payout of \$2,725,000 @ 64.78%		
23			
24	Residual Balance		\$ 4,754.52
25	Additional refund due from insurance on building		423.75
26	<b>Residual Balance for Final Expenses</b>		<b>\$ 5,178.27</b>
27			
28			
29			<b>Bond #231</b>
30	<b>Account Detail</b>		
31			
32	<b>Fees and expenses for City of Niceville, Florida-Okaloosa Post May 18, 2004</b>		
33			
34	Attorney and Consultant Fees:		
35	Chesser and Barr	\$ 49,405.84	
36	Wyatt Tarrant and Combs	43,629.83	
37	Cumberland & Ohio (Mr Skinner)	6,870.00	
38	Paul Williams	20.83	
39	Total Attorney and Consultant Fees:		99,926.50
40	Other Fees and Expenses:		
41	Fiduciary Fee due December 1, 2004		6,812.50
42	Fiduciary Fee due June 1, 2005		6,812.50
43	Fiduciary Fee due December 1, 2005		6,812.50
44	Default Administration Fee through 09-30-06		22,070.00
45	Termination Fee based on Original Issue Amount:		13,625.00
46	Interest Expense Charged		20,751.57
47	Other expenses Incurred 05-18-04 / 09-30-06 (see detail attached)		153,997.78
48			
49			
50	<b>Total Expenses Post May 18, 2004</b>		<b>\$ 330,808.35</b>
51			
52			
53			



NICEVILLE (231)  
OTHER EXPENSES INCURRED  
05-18-04 / 09-30-06

	A	B
1	Description	THRU 09-30-06
2	AAA LOCK & KEY	\$ 120.00
3	ACORDIA OF KY-LOUISVILLE	27,394.07
4	ADVANCED PROTECTIVE TECHNOLOGIES	10,211.96
5	AIR SOLUTIONS LLC	600.00
6	AMERICAN BANKERS INSURANCE COMPANY	2,755.00
7	BAILEY AND ASSOCIATES, INC.	4,000.00
8	BOB BAGGETTE PLUMBING	550.00
9	CITY OF NICEVILLE	9,157.18
10	DEPOSIT	(8.00)
11	D-TRAIN SECURITY AGENCY	7,212.80
12	GULF POWER	36,372.20
13	GULF POWER REFUND	(7,817.56)
14	JEANNE BARNES BRYANT - TRAVEL	290.08
15	MORGAN DEVELOPMENT & CONSTRUCTION	11,260.00
16	OKALOOSA COUNTY TAX COLLECTOR (YEAR 2004)	26,865.14
17	OKALOOSA COUNTY TAX COLLECTOR (YEAR 2005)	24,179.57
18	POST 05-17-04 FUNDS FROM 4049233	(0.05)
19	SERVICEMASTER A-1 CLEANING	490.00
20	SUMMIT DOCUMENT SERVICES, NASHVILLE	365.39
21		
22		
23		
24	OVERALL TOTAL	\$ 153,997.78
25		
26		
27		
28		
29		

# Receivership Management, Inc.

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P. O. Box 2307 Brentwood, TN 37024 (615) 370-0051 FAX (615) 373-4336

## **NOTICE TO BONDHOLDERS REGARDING MOTION SEEKING APPROVAL OF FINAL DISTRIBUTION**

**\$1,780,000 CITY OF NICEVILLE (Okaloosa Health Care Ltd. Series 1992, (the "Bonds")  
Reportedly CUSIP#653667AN5 AND 653667AM7**

**\$1,115,000 OKALOOSA HEALTH CARE LTD. (First Mortgage Taxable Bond) Series 1992**

Sentinel Trust Company ("the Trustee") serves as indenture trustee for the above-referenced Niceville, Florida Bond Issue. The current outstanding principal amount of the Bonds is \$2,725,000.

Receivership Management, Inc., as Receiver of Sentinel Trust Company, will file, on October 20, 2006, a Motion in the Chancery Court in Hohenwald, Lewis County, Tennessee seeking approval of a proposed final distribution concerning the Niceville, Florida Bond Issue. That Motion seeks approval of a proposed distribution that would yield a payment of approximately \$648.00 per \$1,000 principal amount of the Bonds. That Motion also seeks approval from the Court that future pro rata distributions from the Sentinel Trust Receivership's proof of claim process relating to the Niceville, Florida Bond Issue be sent to the Bondholders, on a pro rata basis, without need of further Court order (these future amounts are not believed, in good faith, to add significantly to the \$648/\$1,000 pay out proposed above). That Motion also requests approval of a recommendation by the Receiver not to pursue any potential claim against Emerald Pointe Medical, LLC, as outlined in the Motion. As explained in the Motion, the approximate \$648/\$1,000 distribution has been computed (as set forth in exhibits presented with the Motion) after deducting all fees incurred in connection with the defaulted bond issue -- e.g., fees incurred relating to the preservation of collateral, sale of collateral, default administration and legal and professional fees relating to the defaulted bond issue, which total an approximate amount of \$330,000.

You may view a copy of the Motion and its exhibits by accessing the website of the Tennessee Department of Financial Institutions at [www.state.tn.us/financialinst/](http://www.state.tn.us/financialinst/).

**Please note that the deadline for filing written objections to the Motion is Tuesday, October 31, 2006.** The written objection must be filed with the Court on that date. Copies of any written objection must also be a) received by Receivership Management, Inc., 215 Centerview Drive, Suite 133, Brentwood, Tennessee 37027 and b) mailed to Hon. Jerry Scott, c/o Senior Judge Program, 119 North Maple Street, Murfreesboro, Tennessee 37130 on that date. **If written opposition is timely filed and served, a hearing on that objection/those objections will be held on November 9, 2006 at 9:00 a.m. at the Lewis County Courthouse (Chancery Court) in Hohenwald, Tennessee.** If no written objection is timely filed and served, a proposed order granting the Motion will be presented to the Court for consideration and entry and may be signed and entered without further notice.

**Bondholders with questions about this notice may contact the Receiver for Sentinel Trust Company at 615-370-0051.**

Dated: October 19, 2006

Receivership Management, Inc., as Receiver for  
Sentinel Trust Company, as Trustee

**EXHIBIT**